

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**STAFF REPORT**

**Of the**

**AUDIT DEPARTMENT**

**And**

**UTILITIES DEPARTMENT**

**DOCKET NO. 2003-2-E**

**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**REPORT OF THE AUDIT DEPARTMENT  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

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## **REPORT OF AUDIT DEPARTMENT**

**DOCKET NO. 2003-2-E**

### **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

#### **INTRODUCTION**

The Audit Department Staff has made an examination of the books and records of South Carolina Electric & Gas Company, Columbia, South Carolina, relative to the Commission's requirement under Docket No.2003-2-E, that periodic hearings be conducted before the Commission concerning the Adjustment of Base Rates for Fuel Costs.

#### **CURRENT REVIEW PERIOD**

The current examination of South Carolina Electric & Gas Company's retail Fuel Adjustment Clause covered the period of March 2002 through April 2003.

However, since the current hearing is scheduled for April 2003, Staff's audit work did not include any testing for the months of March and April 2003. The amounts of (over)/under-recovery for March 2003 and April 2003 were estimated for the purpose of adjusting base rates effective May 1, 2003. The estimates will be trued-up at South Carolina Electric & Gas Company's next hearing.

## **SCOPE OF EXAMINATION**

The Commission's Audit Department's examination consisted of the following:

1. Analysis of Account #151 – Fuel Stock
2. Sample of Receipts to the Fuel Stock Account – Account # 151
3. Verification of Charges to Nuclear Fuel Expense – Account # 518
4. Verification of Purchased Power & Interchange
5. Verification of KWH Sales
6. Analysis of Spot Coal Purchasing Procedures
7. Recomputation of Fuel Costs Adjustment Factor, Verification of Unbilled Revenue
8. Recomputation of True-up for (Over)Under-Recovered Fuel Costs
9. Details of Fuel Costs

## **ANALYSIS OF ACCOUNT # 151 – FUEL STOCK**

Staff's analysis of the Fuel Stock Account consisted of tracing receipts to and issues from the fuel management system to the General Ledger, reviewing monthly journal entries originating in fuel accounting, and ensuring that only proper charges are entered in the Company's computation of fuel costs for purposes of adjusting base rates for fuel costs.

## **SAMPLE OF RECEIPTS TO THE FUEL STOCK ACCOUNT –**

### **ACCOUNT # 151**

Staff's sample of coal receipts to the Fuel Stock Account consisted of randomly selecting transactions, tracing each of these transactions to a coal receiving report, waybill, freight study detailed report, the fuel management system payment voucher for documentation purposes, and recalculating the transactions to insure mathematical correctness.

## **VERIFICATION OF CHARGES TO NUCLEAR FUEL EXPENSE –**

### **ACCOUNT # 518**

The Staff traced the expense amounts for nuclear fuel to the books and records for the period March 2002 through February 2003.

## **VERIFICATION OF PURCHASED POWER AND INTERCHANGE**

Staff verified the Company's Purchased and Interchange Power Fuel Costs to summary sheets provided to the Company's Electric Pricing Department by the Company's Operations Department. Some of the fuel costs and KWH purchases and sales for the months of March 2002, July 2002 and November 2002 were also traced to monthly invoices. Staff examined most of the invoices for the review period and all (24) of the identifiable fuel invoices.

## **VERIFICATION OF KWH SALES**

The Staff verified total system sales as filed in the monthly factor computation for the months of March 2002 through February 2003. This monthly figure was then used to determine the fuel cost per KWH sold.

## **ANALYSIS OF SPOT COAL PURCHASING PROCEDURES**

The Audit Staff examined the procedure followed by the Company's fuel supply section for obtaining and accepting bids on spot coal. To achieve this, Staff chose to examine three months of the audit period in which several spot coal bids were received. Staff examined spot coal bids received in the months of April 2002, June 2002 and August 2002.

The fossil fuel supply section maintains a list of coal vendors from whom bids are solicited. South Carolina Electric & Gas mails each of these coal vendors a letter which states the necessary requirements for the coal the Company seeks, and the information needed concerning the coal producer and the fuel representatives' quality standards. The fuel representatives bargain over the price of the coal, and either accept or reject the coal vendor's offer. The Company's fuel representatives determine the current market price for spot coal prior to contacting the coal vendors about their bids. In this way, the fuel representatives determine the limits which should be observed when bargaining for coal. The fuel representatives consider at least three factors when accepting spot coal bids: the price per ton (including freight), the BTU content of the coal offered, and the past experience with the coal obtained from the producer. The Company receives bids in writing, but telephone, email and fax bids are often received. Upon acceptance of a bid, South Carolina Electric & Gas Company prepares a confirming order, a copy of which is mailed to the coal vendor. When the coal is received at the plant, the Company analyzes the coal for moisture, ash, sulfur, and BTU content and prepares an analysis report which is sent to the

fuel supply section. The appropriate quality premium or penalty on the coal purchased is determined, and the results are forwarded to the Company's Accounting Section, which in turn, adds a premium or assesses a penalty to the total amount due to the coal vendor.

The fuel supply section closely monitors the quality of coal shipped by the various producers. If less than guaranteed performance is rendered by a certain producer, the fuel representative accesses this information and considers this when analyzing any future offers received from the supplier.

As previously mentioned, Staff examined spot coal bids received in the months of April 2002, June 2002 and August 2002. The examination included reviewing any bids accepted and also, those that were rejected.

During April 2002, out of approximately nine bids, the Company accepted five offers. During June 2002, out of eight bids, the Company accepted one offer. During August 2002, out of seven bids, the Company accepted one offer. The total spot coal tons purchased for the period March 2002 through February 2003 were approximately 905,200.

#### **RECOMPUTATION OF FUEL COSTS ADJUSTMENT FACTOR AND VERIFICATION OF UNBILLED REVENUE**

The Audit Staff has recomputed the fuel adjustment factor utilizing information obtained from the Company's records.

With reference to fuel cost, Staff verified the Total Fuel Costs for the months of March 2002 through February 2003, to the Company's books and records.

In recomputing the factor, Staff has divided the Total Cost of Fuel Burned by Total System Sales to arrive at fuel costs per KWH sales. The base fuel cost per KWH, included in the base rates, is then subtracted from the fuel cost per KWH sales and the resulting figure represents the fuel cost adjustment above or below base per KWH sales. The South Carolina Retail Jurisdictional KWH deferrals were checked to the Company's records. The actual Unbilled Revenue for each month was verified to the Company's Detailed Ledger.

#### **RECOMPUTATION OF TRUE-UP FOR (OVER) UNDER-RECOVERED FUEL COSTS**

Staff analyzed the cumulative under-recovery of fuel costs that the Company had incurred for the period March 2002 through February 2003, which totaled \$18,667,501 using the old base rate and \$16,421,821 using the new base rate. Staff added the projected under-recovery of \$1,719,860 for the month of March 2003 and the projected over-recovery of \$ 777,240 for April 2003 to arrive at a cumulative under-recovery of \$17,364,441. The Company's cumulative under-recovery as of April 2003, per its testimony in Docket No. 2003-2-E, totals \$22,821,179 . The difference between the Company's and the Staff's cumulative under-recovery totals \$5,456,738. This difference is based on various corrections Staff reflected in various Company fuel costs, such as Fossil Fuel

Burned Costs, Nuclear Fuel Costs and Purchase and Interchange Power Fuel Costs, for the months of the review period (per Staff's report). Staff's Exhibit G, Computation of Unbilled Revenue, which consists of 5 pages, provides detailed explanations for this cumulative under-recovery difference of \$5,456,738.

As stated in South Carolina Electric & Gas Company's Adjustment for Fuel Costs, fuel costs will be included in base rates to the extent determined reasonable and proper by the Commission.

Accordingly, the Commission should consider the under-recovery of \$17,364,441 along with the anticipated fuel costs for the period May 1, 2003 through April 30, 2004, for the purpose of determining the base cost of fuel in base rates effective May 1, 2003. This \$17,364,441 under-recovery figure was provided to the Commission's Utilities Department.

#### **DETAILS OF FUEL COSTS**

Details of fuel costs are shown in Exhibits A-G.

#### **RESULTS OF EXAMINATION**

Based on the Audit Staff's examination of South Carolina Electric & Gas Company's books and records, and the utilization of the fuel costs recovery mechanism as directed by this Commission, the Audit Department is of the opinion that the Company has complied with the directives of the Commission.

#### **EXHIBITS**

Exhibits relative to this report are identified as follows:

#### **EXHIBIT A: TOTAL RECEIVED AND WEIGHTED AVERAGE COST**

This exhibit reflects the total cost for the period March 2002 through February 2003, for the four types of fossil fuel: coal, # 2 oil, propane and natural gas. The Staff has also computed the weighted average cost of each type of fuel.

#### **EXHIBIT B: RECEIVED COAL-COST PER TON (PER PLANT)**

This exhibit shows the received cost per ton for coal at each plant for the period of time from March 2002 through February 2003, in dollars per ton including freight costs.

#### **EXHIBIT C: RECEIVED COAL – COST PER TON COMPARISON**

This exhibit reflects the received cost per ton for coal at each period of time from March 2002 through February 2003 for South Carolina Electric & Gas Company, Duke Power Company, and Carolina Power & Light Company. The Staff has shown for comparison purposes, the invoice cost per ton, freight cost per ton, total cost per ton and the cost per MBTU.

#### **EXHIBIT D: BURNED COST-CONSUMED GENERATION**

This exhibit reflects the per book cost of burned fuel, including emission allowance expenses, which was used for generation for the period March 2002 through February 2003. The burned cost of each class of fuel is separated and the percentage of total burned computed for each type.

#### **EXHIBIT E: COST OF FUEL**

The cost of fuel for the period March 2002 through February 2003 is shown in this exhibit.

#### **EXHIBIT F: FACTOR COMPUTATION**

This exhibit reflects the actual computation of the fuel adjustment factor for the period March 2002 through February 2003.

#### **EXHIBIT G: COMPUTATION OF UNBILLED REVENUE**

This exhibit reflects the computation of the unbilled revenue at April 30, 2003. The balance amounts to an under-recovery of \$17,364,441. This balance represents the difference between actual (with two months estimated) total fuel costs and unbilled fuel costs for the Company's retail customers for the period.

Audit Exhibit A

South Carolina Electric & Gas Company  
Total Received and Weighted Average Cost  
March 2002-February 2003

<u>Month</u>	<u>Coal</u>		<u>#2 Oil</u>		<u>Propane</u>		<u>Gas</u>		<u>Total Received</u>	
	Tons	\$	Gal	\$	Gal	\$	MCF	\$	Cost	\$
Mar-02	557,698	23,360,987	1,067,412	705,588	315	240	133,869	536,630	24,603,445	
Apr-02	523,663	22,118,887	411,081	271,377	0	0	1,119,790	5,130,432	27,520,696	
May-02	589,912	24,863,359	398,990	293,402	0	0	1,744,105	8,224,265	33,381,026	
Jun-02	568,283	23,958,223	1,293,629	944,588	435	426	1,015,180	4,751,385	29,654,622	
Jul-02	553,099	23,595,110	398,208	294,858	650	517	1,907,151	7,613,672	31,504,157	
Aug-02	575,642	24,609,320	265,766	196,809	0	0	1,800,348	7,109,268	31,915,397	
Sep-02	560,438	24,177,485	177,597	143,972	370	300	936,285	4,376,639	28,698,396	
Oct-02	444,543	19,462,876	1,165,827	1,019,327	300	255	485,176	2,903,065	23,385,523	
Nov-02	445,059	19,041,739	233,771	191,576	410	349	195,536	1,622,417	20,856,081	
Dec-02	423,661	18,273,760	912,613	734,548	255	254	163,375	1,374,607	20,383,169	
Jan-03	382,534	16,266,568	1,242,977	1,183,587	0	0	562,724	4,212,098	21,662,253	
Feb-03	343,502	14,460,399	1,591,907	1,762,200	322	0	298,915	2,718,724	18,941,323	
<b>Total</b>	<b>5,968,034</b>	<b>254,188,713</b>	<b>9,159,778</b>	<b>7,741,832</b>	<b>3,057</b>	<b>2,341</b>	<b>10,362,454</b>	<b>50,573,202</b>	<b>312,506,088</b>	
<b>Weighted Average</b>	<b>42.59</b>		<b>0.85</b>		<b>0.77</b>			<b>4.88</b>		

Audit Exhibit B

South Carolina Electric & Gas Company  
Received Coal-Cost Per Ton (Per Plant)  
March 2002-February 2003

<u>Plant</u>	<u>Mar-02</u>	<u>Apr-02</u>	<u>May-02</u>	<u>Jun-02</u>	<u>Jul-02</u>	<u>Aug-02</u>	<u>Sep-02</u>	<u>Oct-02</u>	<u>Nov-02</u>	<u>Dec-02</u>	<u>Jan-03</u>	<u>Feb-03</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Canadys	39.08	43.68	42.12	40.32	41.74	41.15	40.64	40.15	40.81	47.18	42.04	43.34
Cope	37.39	37.50	38.14	40.92	43.43	41.12	43.57	38.89	39.67	40.60	40.89	42.11
McMeekin	41.04	43.58	41.00	41.64	41.25	40.50	42.78	42.12	47.55	47.26	47.26	41.71
SRS/D Area	40.99	43.72	44.97	41.46	51.31	44.07	42.52	44.77	51.96	43.94	74.52	49.88
Urquhart	43.22	44.45	42.12	46.34	41.76	42.09	43.02	41.47	43.79	45.51	44.52	44.06
Wateree	42.50	44.45	43.23	42.79	41.63	45.05	44.64	45.05	46.05	43.96	41.46	41.88
Williams	43.13	42.13	38.26	42.90	46.00	44.22	44.23	42.88	42.13	42.69	43.54	43.29
Total System	41.89	42.24	42.14	42.16	42.66	42.75	43.14	43.78	42.78	43.13	42.53	42.10

**South Carolina Electric & Gas Company  
Received Coal-Cost Per Ton Comparison  
March 2002-February 2003**

<u>South Carolina Electric &amp; Gas Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-02	29.89	12.00	41.89	1.6391
Apr-02	30.24	12.00	42.24	1.6563
May-02	29.76	12.38	42.14	1.6560
Jun-02	29.90	12.26	42.16	1.6526
Jul-02	30.28	12.38	42.66	1.6715
Aug-02	30.63	12.12	42.75	1.6727
Sep-02	31.25	11.89	43.14	1.6933
Oct-02	30.74	13.04	43.78	1.7186
Nov-02	31.03	11.75	42.78	1.6750
Dec-02	31.35	11.78	43.13	1.6922
Jan-03	30.21	12.32	42.53	1.6716
Feb-03	30.60	11.50	42.10	1.6580

<u>Duke Power Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-02	24.99	14.50	39.49	1.6040
Apr-02	26.95	15.08	42.03	1.7119
May-02	26.01	15.16	41.17	1.6856
Jun-02	26.35	15.18	41.53	1.6837
Jul-02	25.78	15.53	41.31	1.6784
Aug-02	26.18	15.44	41.62	1.6653
Sep-02	25.23	15.24	40.47	1.6349
Oct-02	26.00	15.76	41.76	1.6915
Nov-02	23.87	15.24	39.11	1.5977
Dec-02	24.31	15.24	39.55	1.6169
Jan-03	26.69	15.53	42.22	1.7141
Feb-03	17.40	15.44	32.84	1.3458

<u>Carolina Power &amp; Light Company</u>				
<u>Month</u>	<u>Invoice Cost</u>	<u>Freight Cost</u>	<u>Total Cost Per</u>	<u>Cost Per MBTU</u>
	<u>Per Ton</u>	<u>Per Ton</u>	<u>Ton</u>	
	\$	\$	\$	\$
Mar-02	33.58	11.45	45.03	1.8282
Apr-02	33.97	15.56	49.53	1.9984
May-02	33.50	15.61	49.11	1.9914
Jun-02	33.21	15.20	48.41	1.9294
Jul-02	34.35	15.17	49.52	1.9871
Aug-02	34.00	15.58	49.58	1.9834
Sep-02	31.73	15.71	47.44	1.9058
Oct-02	35.66	15.46	51.12	2.0534
Nov-02	33.11	15.74	48.85	1.9617
Dec-02	33.11	15.62	48.73	1.9725
Jan-03	31.94	16.41	48.35	1.9453
Feb-03	33.25	16.23	49.48	1.9906

Audit Exhibit D

South Carolina Electric & Gas Company  
Burned Cost-Consumed Generation  
March 2002-February 2003

Month	Coal		#2 Oil		Propane		Gas		Nuclear		Total Burned	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Mar-02	14,932,913	84.13%	551,488	3.11%	64	0%	54,926	0.31%	2,210,870	12.45%	17,750,261	12.45%
Apr-02	15,249,132	88.70%	111,307	0.65%	68	0%	534,331	3.11%	1,296,020	7.54%	17,190,858	7.54%
May-02	18,053,733	94.61%	232,350	1.22%	98	0%	760,588	3.99%	35,032	0.18%	19,081,801	0.18%
Jun-02	18,940,906	72.31%	579,102	2.21%	67	0%	4,751,160	18.14%	1,923,561	7.34%	26,194,796	7.34%
Jul-02	21,039,335	67.13%	144,087	0.46%	119	0%	7,561,805	24.13%	2,594,510	8.28%	31,339,856	8.28%
Aug-02	19,686,504	66.59%	176,812	0.60%	167	0%	7,108,373	24.05%	2,589,844	8.76%	29,561,700	8.76%
Sep-02	17,162,096	70.18%	406,844	1.67%	178	0%	4,377,921	17.90%	2,506,825	10.25%	24,453,864	10.25%
Oct-02	13,148,096	69.44%	288,222	1.52%	86	0%	2,902,167	15.32%	2,597,225	13.72%	18,935,796	13.72%
Nov-02	12,026,750	73.64%	169,550	1.04%	196	0%	1,621,114	9.92%	2,515,059	15.40%	16,332,669	15.40%
Dec-02	14,073,104	77.29%	167,871	0.92%	79	0%	1,371,439	7.53%	2,597,190	14.26%	18,209,683	14.26%
Jan-03	17,933,418	68.59%	1,405,801	5.38%	118	0%	4,205,182	16.08%	2,600,049	9.95%	26,144,568	9.95%
Feb-03	13,881,147	65.85%	2,132,016	10.11%	119	0%	2,714,784	12.88%	2,352,389	11.16%	21,080,455	11.16%
Totals	196,127,134	73.66%	6,365,450	2.39%	1,359	0%	37,963,790	14.26%	25,818,574	9.69%	266,276,307	9.69%

South Carolina Electric & Gas Company  
Cost of Fuel  
March 2002-February 2003

<u>Month</u>	<u>Total Cost of Fuel Burned</u> \$	<u>Purchased and Interchange Power Fuel Cost</u> \$	<u>Fuel Cost Recovered Intersystem Sales</u> \$	<u>Total Fuel Cost</u> \$
Mar-02	17,750,261	7,814,065	(2,116,247)	23,448,079
Apr-02	17,190,858	7,943,432	(1,140,367)	23,993,923
May-02	19,081,801	12,371,456	(253,147)	31,200,110
Jun-02	26,194,796	9,949,048	(712,134)	35,431,710
Jul-02	31,339,856	8,593,753	(1,350,566)	38,583,043
Aug-02	29,561,700	7,823,719	(1,411,149)	35,974,270
Sep-02	24,453,864	7,884,420	(1,017,464)	31,320,820
Oct-02	18,935,796	10,125,221	(415,618)	28,645,399
Nov-02	16,332,669	7,871,942	(924,743)	23,279,868
Dec-02	18,209,683	9,030,606	(911,239)	26,329,050
Jan-03	26,144,568	8,914,577	(2,132,458)	32,926,687
Feb-03 (1)	21,080,455	7,812,513	(1,420,871)	27,472,097
<b>Totals</b>	<b>266,276,307</b>	<b>106,134,752</b>	<b>(13,806,003)</b>	<b>358,605,056</b>
 Feb-03 (2)	 20,372,073	 7,812,513	 (1,420,871)	 26,763,715

(1) Old Base Factor

(2) New Base Factor (Excludes Urquhart Combined Cycle unit's cost for Facility & Demand charges of \$ 708,382)

South Carolina Electric & Gas Company  
Factor Computation  
March 2002-February 2003

<u>Month</u>	<u>Total Fuel</u> <u>Costs</u>	<u>Total System</u> <u>Sales</u> <u>Excluding</u> <u>Intersystem</u>	<u>Fuel Cost per</u> <u>KWH Sales</u>	<u>Base Cost Per</u> <u>KWH Included in</u>	<u>Fuel</u> <u>Adjustments</u>
		<u>Sales</u>		<u>Rates</u>	<u>Per KWH</u>
	\$	KWH	\$/KWH	\$/KWH	\$/KWH
Mar-02	23,448,079	1,632,226,851	0.014366	0.01579	(0.00142)
Apr-02	23,993,923	1,603,636,997	0.014962	0.01579	(0.00083)
May-02	31,200,110	1,798,437,365	0.017348	0.01722	0.00013
Jun-02	35,431,710	1,947,994,871	0.018189	0.01722	0.00097
Jul-02	38,583,043	2,181,681,195	0.017685	0.01722	0.00047
Aug-02	35,974,270	2,208,085,489	0.016292	0.01722	(0.00093)
Sep-02	31,320,820	2,132,482,630	0.014687	0.01722	(0.00253)
Oct-02	28,645,399	1,876,054,552	0.015269	0.01722	(0.00195)
Nov-02	23,279,868	1,633,410,294	0.014252	0.01722	(0.00297)
Dec-02	26,329,050	1,836,548,327	0.014336	0.01722	(0.00288)
Jan-03	32,926,687	1,907,532,603	0.017261	0.01722	0.00004
Feb-03 (1)	27,472,097	1,835,330,941	0.014968	0.01722	(0.00225)
Feb-03 (2)	26,763,715	1,835,330,941	0.014583	0.01678	(0.00220)

(1) Old Base Factor

(2) New Base Factor (Excludes Urquhart Combined Cycle unit's cost for Facility & Demand charges of \$ 708,382 from Total Fuel Costs; reflects the Commission approved rate of 0.01678 per Commission Order No. 2003-38.)

South Carolina Electric & Gas Company  
Computation of Unbilled Revenue  
March 2002 - April 2003

	ACTUAL					
	March 2002	April 2002	May 2002	June 2002	July 2002	August 2002
Fossil Fuel Burned (2)	15,539,391	15,894,838	19,046,768	24,271,236	28,745,346	26,971,856
Nuclear (3)	2,210,870	1,296,020	35,032	1,923,561	2,594,510	2,589,844
Purchase & Interchange Pwr. (4)	7,814,065	7,943,432	12,371,456	9,949,048	8,593,753	7,823,719
Sub-total	25,564,326	25,134,290	31,453,256	36,143,845	39,933,609	37,385,419
Less: Intersystem Sales	2,116,247	1,140,367	253,147	712,134	1,350,566	1,411,149
Total Fuel Costs	23,448,079	23,993,923	31,200,109	35,431,711	38,583,043	35,974,270
Total System KWH Sales Excluding Intersystem Sales	1,632,226,851	1,603,636,997	1,798,437,365	1,947,994,871	2,181,681,195	2,208,085,489
\$/KWH Sales	0.014366	0.014962	0.017348	0.018189	0.017685	0.016292
Less: Base	0.015790	0.01579	0.017220	0.017220	0.017220	0.017220
Fuel Adjustment Per KWH	(0.00142)	(0.00083)	0.00013	0.00097	0.00047	(0.00093)
Unbilled Revenue KWH Sales	1,515,989,839	1,492,447,659	1,678,189,770	1,810,352,472	2,024,577,843	2,059,396,003
Deferred Fuel Entry	(2,152,706)	(1,238,732)	218,165	1,756,042	951,552	(1,915,238)
February 2002 - (1)	40,472,698 (1)					
Cumulative (Over)/Under Recovery	38,319,992	37,081,260	37,299,425	39,055,467	40,007,019	38,091,781

\*Explanation of Footnotes on Audit Exhibit G, Page 3 of 5 through Page 5 of 5.

South Carolina Electric & Gas Company  
Computation of Unbilled Revenue  
March 2002 - April 2003

	ACTUAL					ESTIMATED			
	September 2002	October 2002	November 2002	December 2002	January 2003	February 2003	New Base Rate February 2003	March 2003	April 2003
Fossil Fuel Burned (2)	21,947,039	16,338,571	13,817,610	15,612,494	23,544,519	18,728,066	18,019,684	23,856,000	21,764,000
Nuclear (3)	2,506,825	2,597,225	2,515,059	2,597,190	2,600,049	2,352,389	2,352,389	2,450,000	2,365,000
Purchase & Interchange Pwr (4)	7,884,420	10,125,221	7,871,942	9,030,606	8,914,577	7,812,513	7,812,513	3,221,000	2,693,000
Sub-total	32,338,284	29,061,017	24,204,611	27,240,290	35,059,145	28,892,968	28,184,586	29,527,000	26,822,000
Less: Intersystem Sales	1,017,464	415,618	924,743	911,239	2,132,458	1,420,871	1,420,871	223,000	199,000
Total Fuel Costs	31,320,820	28,645,399	23,279,868	26,329,051	32,926,687	27,472,097	26,763,715	29,304,000	26,623,000
Total System KWH Sales Excluding Intersystem Sales	2,132,482,630	1,876,054,552	1,633,410,294	1,836,548,327	1,907,532,603	1,835,330,941	1,835,330,941	1,636,000,000	1,636,000,000
\$/KWH Sales	0.014687	0.015269	0.014252	0.014336	0.017261	0.014968	0.014583	0.017912	0.016273
Less: Base	0.017220	0.017220	0.017220	0.017220	0.017220	0.017220	0.016780	0.016780	0.016780
Fuel Adjustment Per KWH	(0.00253)	(0.00195)	(0.00297)	(0.00288)	0.00004	(0.00225)	(0.00220)	0.00113	(0.00051)
Unbilled Revenue KWH Sales	2,003,486,189	1,755,683,695	1,521,648,568	1,704,067,820	1,769,193,216	700,281,906	1,020,763,751	1,522,000,000	1,524,000,000
Deferred Fuel Entry	(5,068,820)	(3,423,583)	(4,519,296)	(4,907,715)	70,768	(1,575,634)	(2,245,680)	1,719,860	(777,240)
August 2002 - (p. 1 of 5)	38,091,781								
Cumulative (Over)/Under Recovery	33,022,961	29,599,378	25,080,082	20,172,367	20,243,135	18,667,501	16,421,821	18,141,681	17,364,441

\*Explanation of Footnotes on Audit Exhibit G, Page 3 of 5 through Page 5 of 5.

South Carolina Electric & Gas Company  
Computation of Unbilled Revenue

MARCH 2002 – APRIL 2003

Explanation of Footnotes to Audit Exhibit G:

(1) Staff's cumulative under-recovery balance brought forward from February 2002 of \$40,472,698 differs from the Company's beginning cumulative under-recovery balance (from February 2002) of \$41,287,451 by \$814,753. This cumulative difference was based on Staff's corrections to Fossil Fuel Burned Costs, Nuclear Fuel Costs and Purchased Power Costs for several months, as reflected in the last fuel review period. It should be noted that the Company, in its testimony, reflects this cumulative correction of \$814,753 in May 2002.

(2) Staff adjusted the Fossil Fuel Burned Costs for the months of March through May 2002, July 2002, August 2002, and November 2002.

(a) The Company, in December 2002 obtained Commission approval to remove the cost of fuel associated with the test power related to the Urquhart Combined Cycle re-powering project, which was completed in June 2002. The consumed fuel, mostly natural gas and some #2 oil, during the months of March through May 2002, which totaled \$12,536,042, was used to generate electricity for testing the new facilities. The Company made an adjustment in December 2002 for the three months. Staff adjusted each month, per a reduction in fossil fuel costs, for March through May 2002 for these costs---Gas costs of (\$450,796.70) in 3/02; Gas costs of \$(4,595,163.01) in 4/02; Gas and #2 Oil Costs of (\$7,490,082.15) (\$26,774.79 of #2 Oil and \$7,463,307.36 of Gas).

(b) In May 2002, a coal cost correction was corrected twice for \$826.67. Staff reduced fossil fuel costs by (\$826.67) to eliminate the duplicate correction.

(c) In July 2002, there was a reduction revision to gas costs for the Urquhart Combined Turbine. Staff reflected the revised amount of \$6,592,772.53 in the actual month of July. The Company adjusted the revision in Jan. 2003.

(d) In August 2002, the Company had true-ups for several gas burned costs, but the entire adjustment totaling (\$1,392.61) did not get included in the fuel clause figures. The Company included a "bottom-line" adjustment to the (over)/under-recovery monthly deferred fuel entry in Jan. 2003 for part of the true-up, along with some other Company true-ups. Staff reflected all of the true-up costs of (\$1,392.61) in the actual month of August.

(e) In November 2002, the Williams Plant burned costs were revised by (\$338,601.48). The Company trued-up this amount in its "bottom-line" adjustment to the (over)/under-recovery monthly deferred fuel entry in Jan. 2003. Staff reflected this true-up in the actual month of November.

(f) In November 2002, the coal costs for the SRS Plant were miscalculated by \$50.78. Staff made an adjustment for this amount.

(3) Staff's Nuclear Fuel figure for April 2002 of \$1,296,020 differs from the Company's figure of \$1,295,168. This difference of \$852.17 was based on a revised waste disposal cost rate that did not get revised. Staff reflected the revision in April.

(4) Staff's Purchase and Interchange Power Costs differ from the Company's for the months of March 2002 through February 2003.

(a) In July 2002, Staff reflected a revised (based on updated kilowatt hours information) purchase and interchange fuel cost of \$9,218.73. The Company trued-up the revision in Jan. 2003.

(b) In November 2002, as a result of the reduction adjustment for the Williams Plant fossil fuel burned costs (coal costs) of (\$338,601.48) and since the Williams Plant's fossil fuel costs are treated, in the fuel adjustment clause, as purchased power costs, Staff reduced the November Purchased Power Costs figures by (\$338,601.48).

(c) For the months of the review period where Staff made adjustments to Fossil Fuel Burned Costs and Nuclear Costs, which were the months of March through May 2002, July 2002, August 2002 and November 2002, Staff had to recalculate the purchased power fuel cost rates that are used in computing the fuel costs associated with the KWH's in certain Company purchased power contracts. The Company's Fossil Fuel Burned Costs and Nuclear Costs are two of the fuel costs that are used in that computation.

(d) For the review period, March 2002 through February 2003, Staff's Purchase and Interchange Power Costs reflects two types of Staff adjustments that differ from the Company by a total of (\$5,869,763). These two types of Staff adjustments concern the treatment of fuel costs components in purchase power transactions. In a continuing effort to identify the fuel portion of Purchased Power for recovery through the Fuel Clause, Staff has identified the fuel component contained on invoices from Duke Power Co. and Carolina Power & Light Co. For cost recovery purposes, Staff has allocated amounts so identified by the ratio of native load MWH purchases to total MWH purchases.

For power marketers where the fuel component of purchases cannot be identified, Staff has utilized the lower of total energy costs or the "avoided fuel cost" proxy, as computed by the Company, in determining amounts to be recovered. Staff has attempted to identify the fuel portion of avoided costs, once again, to continue in the effort to identify the fuel portion of purchased power costs. Staff's computation of costs to be included for recovery, in either instance, excludes Wheeling charges. These are charges incurred by SCE&G, in some cases, to make its own purchases of transmission pathways separate from its power purchases. The Company is billed separately for these charges, and is, in fact, booking these charges to Account #565, "Transmission of Electricity by Others", as a Transmission O&M Expense. Staff would note that these charges are not part of Account #555, "Purchased Power", as defined by the FERC Uniform System of Accounts as adopted by this Commission for Electric utilities. Staff has, therefore, excluded these amounts. Staff would also note that the other two (2) major electric utilities under the Commission's jurisdiction do not recover these costs through the Fuel Clause. For identifiable fuel costs, Staff adjusted the Company's purchase power figures by (\$5,012,249). For non-identifiable fuel costs, Staff adjusted the Company's purchase power figures by (\$857,514). Therefore, as mentioned previously, the total for these two types of Purchase Power Costs adjustments are (\$5,869,763).

The Company's cumulative under-recovery balance, on a retail basis, as of actual February 2003, per its testimony in Docket No. 2003-2-E totals \$ 21,878,559. Staff's cumulative under-recovery balance, on a retail basis, as of actual February 2003 totals \$16,421,821. The cumulative under-recovery balance difference, on a retail basis, between the Staff and the Company as of actual February 2003 and as of estimated April 2003 is \$5,456,738.